

# **REQUEST FOR PROPOSAL (RFP)**

## **1. Invitation to Propose**

The Kentucky Public Service Commission ("Commission"), pursuant to KRS 278.255(3), KRS Chapter 45A, and other applicable law, requests proposals for all consulting services required to perform a management and process audit of Martin County Water District ("MCWD" or "utility"). Each person responding to this RFP is referred to hereinafter as a "bidder" until such time as they may be selected to undertake the engagement. A "Consultant" is a firm that has been selected to undertake the engagement.

The Commission will accept proposals to this RFP under the terms and conditions set forth herein. Any Bidder who successfully qualifies to provide the consulting services will be so notified by the Commission.

Upon selection to perform the engagement, a Letter of Agreement ("Agreement") will be signed between the Commission, MCWD and the Consultant. This Agreement, described more fully herein, shall comprise the contract for the engagement.

## **2. Background Information**

MCWD is a rural water district whose offices are located in Inez, Kentucky. Martin County comprises MCWD's total service territory. For the year ending December 31, 2004, MCWD had total operating revenues of \$1,158,589 and total customers of 3,434.

In its reports of inspections of MCWD's operations conducted from 1997 through 2001, Commission Staff noted several operational concerns, including excessive water loss, the lack of adequate leak detection procedures, a significant number of inaccurate

or malfunctioning water meters, and a failure to file timely operational reports that Commission regulations required. It also periodically noted problems with MCWD's financial processes and compliance with such regulatory requirements as the refunding of customer deposits.

In April 2002, MCWD experienced a system-wide water shortage after the only operable high service pump at its water treatment plant failed. Commission Staff inspected MCWD's facilities on April 4, 2002 and noted the following concerns:

- MCWD lacked sufficient certified plant operators. It employed only one certified operator who was working 16 hours per day during weekdays and 24 hours per day on weekends.
- MCWD's high service pumps were in very poor condition. One of the its two high service pumps had not worked for several years. The other pump had not been serviced in years. In the event that the operating pump failed, MCWD would experience a system-wide shortage of water.
- MCWD lacked a telemetry system to monitor the levels of its water storage tanks. To prevent its water storage tanks from overflowing, MCWD employees had to visually monitor these tanks. In some instances, MCWD learned that its water storage tanks were overflowing only when local residents reported such incidents.
- MCWD's Water Treatment Plant was in a state of disrepair.
- Although designed to accommodate two pumps, most of MCWD's booster pump stations were operating with only one pump.
- The chemical feed lines in MCWD's Water Treatment Plant were not working properly.

Responding to this report, the Commission initiated an investigation to examine the serious operating deficiencies that immediately threatened MCWD's ability to provide water service. It subsequently expanded this investigation to consider 20 service and

management issues. It found that an examination of these issues “was necessary to assess the current condition of MCWD’s operations and management, to determine the rules, methods, and practices that are required to ensure the water district provides adequate and reasonable service, and to restore public confidence in the water district’s operations.”

As part of the Commission’s investigation, Commission Staff examined MCWD’s management and operations and filed with the Commission written testimony in which it discussed its findings and recommendations. A copy of this testimony is attached as a part of the standard information package.

During the Commission’s investigation, MCWD and Commission Staff entered into negotiations to resolve the issues presented by MCWD’s existing conditions. After extensive negotiations, Commission Staff and MCWD on October 20, 2003, entered into an Agreement that addressed a wide array of MCWD’s operation and management aspects and mandated significant remedial actions on MCWD’s part. On November 17, 2003, the Commission approved and adopted the terms of the Agreement and directed MCWD to comply with these terms.

On January 10 and 11, 2005, Commission Staff conducted an extensive review of MCWD’s water treatment and distribution system. In its report of its findings, Commission Staff noted:

- MCWD was experiencing an unaccounted water loss in excess of 50 percent.
- MCWD was not conducting any meter testing as required by Administrative Regulation 807 KAR 5:006, Section 16(2)

- MCWD was not accruing interest on customer deposits as required by Administrative Regulation 807 KAR 5:006, Section 7(6).
- MCWD's records of customer complaints were inadequate.
- MCWD was installing fire hydrants on its water distribution mains that had not been certified as having a minimum fire flow of 250 gallons per minute.
- MCWD had failed to maintain a recording pressure gauge in continuous service of one week per month at a representative point on its system as required by Administrative Regulation 807 KAR 5:066, Section 10.
- MCWD's system had areas in which customers' service fell below than the minimum 30 pounds per square inch.
- MCWD failed to notify the Commission of any public notifications and boil water advisories.
- MCWD had received a notice of violation from the Kentucky Division of Water for failure to comply with that agency's regulations.
- MCWD received a report of a potentially hazardous condition in a portion of its service area.
- MCWD had filed no annual reports with the Commission since its 2001 annual report.

Each noted condition constituted a violation of one or more of the terms of the Settlement Agreement that MCWD had entered with Commission Staff.

While MCWD has attempted to comply with the terms of the Agreement, the Commission as of this date is unable to verify the full extent of its compliance. Among the areas that the Commission is unable to verify are:

- The state of MCWD's Radio Signaling Equipment
- The existence and implementation of a maintenance and inspection plan for MCWD's water storage tanks

- The development of a plan to maintain and enhance the security of its physical facilities
- The current state of MCWD's telemetry and automatic control systems
- The current state of MCWD's automated billing and collection systems
- MCWD's internal controls to improve the accuracy of meter readings
- MCWD's compliance with sales tax collection laws
- MCWD's responses to service connection requests
- MCWD's practices regarding the preparation of annual operating budgets
- MCWD's mapping and inventory of distribution system assets

During the period from 2002 to 2005, MCWD experienced significant changes in its management personnel. In 2002 several members of the MCWD Board of Commissioners (Board) resigned or left due to the expiration of their terms. New members were appointed to replace these members. In 2003 the Martin County/Judge Executive removed these new members and appointed others in their place. None of these appointees had previous experience in the operation of a water utility.

In 2002 MCWD's Board of Commissioners executed an agreement with American Water Services, Inc. to manage and operate MCWD's water treatment and distribution system. In late 2003, MCWD's Board of Commissioners began questioning the appropriateness of several bills for water system repairs that American Water Services submitted. The Board of Commissioners also expressed dissatisfaction with MCWD's contract with American Water Services and sought to renegotiate several of its terms. Relations between the Board and American Water Service continued to

deteriorate in 2004. At one point, American Water Services asserted that MCWD was over \$600,000 delinquent in payments for repairs and monthly fees. Ultimately MCWD and American Water Services agreed to the early termination of the management services agreement and MCWD resumed responsibility for the operation of its water treatment and distribution system.

### **3. Objectives and Scope of the Audit**

MCWD faces significant financial and operational challenges. Previous Commission Staff inspections and financial reviews revealed poor recordkeeping practices and an absence of significant internal management, budgeting and financial controls. They also indicated significant operational problems, including excessively high levels of water loss, inadequate meter reading and testing programs, and poor equipment and plant maintenance practices, and a persistent inability to comply with regulatory requirements. Customer complaints of poor water quality and service pressure in the period from 2002 through 2005 support these findings. The absence of any adjustment in MCWD's general service rates since 1996, moreover, raises concerns that MCWD's present rates are not producing revenues sufficient to allow MCWD to provide adequate and reasonable service.

The primary objective of this audit is the determination of what improvements can be made in the management and operation of MCWD's water system, as well as to assess MCWD's financial condition and its possible need for a rate adjustment. It is expected that the selected Consultant will initially perform a diagnostic review of MCWD's policies, practices, as well as MCWD's financial and operating performance, in order to determine the areas of potential improvement. For these areas, the Consultant

will be expected to analyze, interpret, and make specific recommendations. Some potential areas of concern have been identified by the Commission and are noted later in the Scope Section. The Consultant will also be expected to work with MCWD to develop action plans and procedural steps to implement the recommendations. The Commission expects that the final report will include an executive summary with appropriate task area findings and recommendations.

### **Scope**

The Commission expects the Consultant to perform an in-depth diagnostic review of MCWD's management, engineering and technical operations. It is expected that at a minimum, the scope of this review will encompass the following:

- 1) Identify specific management and administrative areas with potential for improvement and develop an action plan to address those areas more extensively.

Some of the areas of potential concern identified by the Commission are:

- Organization and General Management
- Customer Service, Meter Reading, Billing and Collections
- Financial Management, including a review of Accounting Procedures and Controls and an Analysis of Overall Expense Trends
- Management's Relationship with MCWD's Board of Commissioners

- 2) Assess the reasonableness of MCWD's rates and the need for a rate adjustment.
- 3) Identify the root cause(s) for MCWD's significant water loss and assist MCWD in the development of near-term and long-term water loss reduction and control programs.

- 4) In addition to water loss, identify MCWD's specific operational and infrastructure situation in order to identify immediate needs or deficiencies and develop a work plan to address those areas. Areas of concern identified by the Commission are:
- Water System Planning / Engineering and Construction
  - Distribution Water System Operations and Maintenance
  - Water Treatment System Operations and Maintenance
  - Priority Listing of Necessary Infrastructure Improvements
- 5) Develop findings and make appropriate recommendations for improvement.
- 6) Work with MCWD to develop action plans and implementation steps to address the recommendations.

#### **4. Acceptance of Proposals**

There will be **no bidders' conference** in conjunction with this RFP. As previously stated, the purpose of this RFP is to receive proposals for all consulting services required to perform a management and process audit of Martin County Water District (MCWD).pre-qualify consulting firms for review of documentation filed in support of a request for a certificate to construct transmission lines.

All properly submitted proposals will be accepted for consideration and reviewed by the Commission. However, the Commission reserves the right to request necessary amendments to any proposal, reject all proposals, reject any proposal that does not meet the mandatory requirements of this RFP, or cancel this RFP.

The Commission also reserves the right to waive minor irregularities in proposals, providing such action is in the best interest of the Commonwealth of Kentucky, the Commission and MCWD. Waiver of minor irregularities shall in no way



modify this RFP's requirements or excuse the Consultant from full compliance with the RFP's specifications and other requirements set forth in any Agreement arising from this RFP.

If your firm is interested in performing this work, you should submit 10 bound copies, one unbound, copy-ready copy, and one Microsoft Word electronic version of your proposal no later than 5:00 PM EST on August 24, 2006. The Commission will not consider any proposal received after this deadline. An electronic copy alone **will not** be sufficient to satisfy the receipt deadline requirement. Any questions regarding this RFP must be directed to John A. Rogness III in writing via mail, telefax (502-564-7189) or email (john.rogness@ky.gov). All proposals become the property of the Public Service Commission of Kentucky. Upon selection of a Consultant to perform this engagement, all proposals will be made available for public inspection.

Your response should be addressed to:

Kentucky Public Service Commission  
P.O. Box 615  
211 Sower Blvd.  
Frankfort, Kentucky 40602

Attention: John A. Rogness III  
Management Audit Branch

**Note that the P.O. Box number should be used for all regular mail and the street address is only necessary for overnight deliveries, i.e. Fed Ex, UPS, etc.**

After receipt of proposals, the Commission may request certain firms bidding on the project to appear before the Commission and the staff to provide an oral proposal briefing and to respond to questions. It is anticipated that the evaluation phase of the

project will take six (6) months to complete and culminate in the publication of a final report and a Management Audit Action Plan (MAAP) report. If an oral presentation of selected consultant proposals is required, it will be held on October 3, 2006. The project will begin on or about October 24, 2006. If the bidder thinks additional time is needed, justification should be supplied along with an estimate of additional timing.

## **5. Contents of Proposal**

Bidders' proposals should include the following:

### **A. STATEMENT OF THE PROJECT**

State in succinct terms your understanding of the project presented in this RFP.

### **B. MANAGEMENT SUMMARY**

Include a narrative description of the proposed effort, a discussion of project management techniques, tools and practices, and a list of the end products that will be provided to the Commission throughout the project and at the conclusion of the project.

### **C. WORK PLAN**

Task descriptions are to be the guide in describing your technical plan for accomplishing the work plan. The task descriptions should be in sufficient depth to afford the Commission and its staff a thorough understanding of your work plan. The description should include an estimate of the number of hours each primary member of the review team will devote to each task, functional area, and special interest area. A proposal may be rejected if the work plan does not specifically detail how each of the task descriptions is to be accomplished. This preliminary work plan will be worked into a final work plan at the onset of the project.

### **D. PRIOR EXPERIENCE**

Submit a statement of similar projects conducted in the previous five years. Provide a copy of the Bidder's most recently completed relevant review report. This requirement would also apply to a subcontractor, if appropriate. Indicate specifically any projects of utilities and provide copies of such audit reports. Experience cited should be that performed by your firm and specifically by individual team members. **Projects referred to should be**

**identified and the name of the client shown, including the name, address and phone number of the responsible official of the client utility or agency who may be contacted.**

E. PERSONNEL

Include the names of all personnel -- executive, professional, management analysts, systems analysts, auditors, staff Consultants, etc. -- who will be engaged in the review. Their education and experience in auditing and management/process evaluations, especially for water utilities, in general, and small rural water utilities in particular, must be included. If an Agreement is awarded, the personnel assigned to conduct the review may not be changed without the written approval of the Commission or its designated representative.

F. STATEMENT ON POTENTIAL CONFLICTS OF INTERESTS

The Bidder shall identify any relationships between itself or any of its affiliated companies or proposed subcontractors (including prior relationships of individual personnel engaged in performing the review) and MCWD (or any affiliate). This would include any services provided during the last five years to MCWD, any subsidiaries, parent corporation, subsidiaries of the parent corporation, or any other related organizations associated with the water utility industry. Any engagements, including but not limited to consulting or preparing studies or testimony, for another utility, a regulatory agency, consumer advocate group, attorney general, or similar entity (an "Interested Party") shall also be disclosed. If there have been no such relationships, a statement to that effect is to be included in the proposal.

The requirement to inform the Commission of any possible conflict of interest is a continuing obligation until the matter is completed. **If, during the audit, it is determined that an undisclosed conflict exists or has existed between the Consultant and MCWD or other interested party, the Commission reserves the right to terminate the Agreement and shall not be obligated or liable for any payment otherwise owed to the Consultant for serviced rendered or anticipated to be rendered, for costs incurred or expenses.**

G. BUDGET ESTIMATES

For each task described in Section 5.C. above, a cost estimate shall be provided. The cost estimate for each task shall include manpower costs, costs of supplies and materials, subcontractor costs, transportation costs and total cost. The manpower costs should be broken down to identify the

category of personnel, possible estimated hours, rate per hour and total cost. **A firm, total not-to-exceed cost for the audit shall be provided.**

H. TIME

For each task described in Section 5.C. above, an estimate of the time required for completion shall be provided in schedule form. Show all audit tasks, the estimated hours to complete each task, and the total estimated hours to complete the audit. An estimate of the percentage of time spent on-site shall also be provided.

I. INITIAL REQUEST FOR DOCUMENTS

The Consultant shall submit an initial information request for pertinent documents as a part of the proposal. Upon final selection of the Consultant by the Commission, MCWD shall initiate responses to the initial information request, thus enabling the Consultant to have access to the requested information during the early stages of the audit. **The initial information request should be clearly prioritized and should not be overly burdensome.**

J. WORK SPACE

Requirements for working space at MCWD's headquarters should be specified in the proposal.

K. PERIOD OF OFFER

A statement should be included stating that the Consultant's proposal shall remain valid for three months from the final date for submitting proposals as stated in Section 4 of this RFP.

J. WILLINGNESS TO WORK

The Bidder's willingness to work with the Staff Project Officer in the manner described in this RFP should be stated in the proposal.

K. SIGNATURES

All proposals must be signed by an authorized official of the Bidder.

6. **Selection Criteria**

All proposals received will be evaluated by the Commission and/or its authorized staff, including the Management Audit Branch. There are several factors that will be

considered in selecting the proposals that satisfy the requirements of this RFP. These factors include: the Bidder's understanding of the Commission's needs and a proposed approach that satisfies these needs; the Bidder's willingness to work with MCWD and its staff; the experience and ability of the Bidder's staff assigned to the project and their capability to perform the proposed work; the proposal's description of tasks in the work plan to determine if the Bidder possesses the knowledge and understanding of the technical functions to be examined in the study; the Bidder's willingness to include the Management Audit Branch in the various stages of the review; the Bidder's demonstrated ability to meet stated deadlines; the Bidder's project management techniques and practices; and any comments from MCWD. **As this is a focused review of a small rural water company, cost will be an important consideration, although it will not necessarily be the deciding factor. THERE IS A FIRM TOTAL BUDGET CAP OF \$100,000 THIS PROJECT.**

**7. Role of Commission Staff**

Charles Bright will be the Staff Project Officer designated by the Commission to ensure satisfactory and timely performance of the proposed work in accordance with any Agreement arising from this RFP. Upon the effective date of an Agreement, Mr. Bright will be the sole contact for the Consultant in any discussions with the Commission.

The Consultant will be responsible for including the members of the Management Audit Branch in the planning and organizational meetings and in all stages of the project as directed by the Staff Project Officer.

The Commission will rely upon the Staff Project Officer to answer questions from time to time about the progress and status of the project. It will be necessary, therefore, that the Staff Project Officer and the Management Audit Branch be involved in the work of the Consultant. This involvement may include attending selected interviews, reviewing analytical procedures, and monitoring the project's progress as to scope, budget, work plans, time, etc. It is expected that the Consultant will frequently discuss the Consultant's progress informally and directly with the Staff Project Officer and that periodic written reports will be necessary in addition to the informal contact between the Consultant's staff and the Staff Project Officer. These reports are described below:

Weekly Informal Reports: By the first of each week, the Consultant will provide written notice of the interviews and site visits scheduled for the next following week to the Staff Project Officer for review and approval. It will be important for the Consultant to closely coordinate the schedule for interviews and site visits with each individual utility's coordinator and the Staff Project Officer in order to minimize disruption of daily management activities.

Monthly Written Status Reports: Based on the task plan submitted with the proposal, the monthly reports should consist of two parts:

- A. General narrative briefly describing progress to date and outlining reasons for any deviations from the task plan schedule. This narrative should also contain a statement indicating the status of the project in relation to time -- ahead, behind, or on schedule.
- B. Status sheet indicating actual hours logged by category (i.e., project manager, senior analyst or auditor, junior analyst or auditor, etc.), by Consultant, material and supplies cost, and other costs, showing percentage of each in relation to proposal costs.

Monthly reports should be in the hands of the Staff Project Officer and MCWD's Coordinator by the tenth working day following the month's end and shall be submitted for any month worked.

Interview Summaries: By the fifth working day after each interview, formal summaries of each interview, including participants' conclusions and

observations, data requests generated, issues identified, and follow-up required, shall be forwarded to the Staff Project Officer.

## **8. Draft/Final Report**

A final report must evolve from a draft report prepared at least thirty (30) days prior to the submission of the final report. The draft report should contain functional area task reports, a management summary, which includes findings of operating effectiveness and efficiency, and recommendations. All reports provided to the Management Audit Branch (task reports, draft report, final report) must be fully footnoted. The Management Audit Branch, MCWD and the Consultant will review the findings of each task report at a three-party roundtable meeting prior to the issuance of each task report to the Management Audit Branch. Task reports shall be submitted early enough in the project to allow for additional in-depth analyses and subsequent revisions. Following initial review of the task reports by the Management Audit Branch, MCWD will be afforded an opportunity to review the task reports. MCWD's written comments shall be submitted to the Consultant and the Management Audit Branch within ten (10) working days after it receives each task report so that the Consultant can consider any changes of fact, conclusions, or recommendations before completing the draft report. After review of the task reports has been completed, the Consultant will be required to prepare a draft report for review by the Management Audit Branch.

The Commission requires the final report to be in a narrative form and include terminology that will be meaningful to MCWD's management and others generally familiar with the subject areas:

### **A. General Statement and Summary;**

B. Findings and Conclusions with Respect to the Primary Objectives of the Review;

C. Recommendations, if any, relating specifically to the Task Areas.

Findings, conclusions and recommendations must be justified and accompanied by adequate supporting information. **The final report should consist of a chapter describing the project, a summary chapter that ties all the issues together and chapters for each Task Area.**

The Commission expects an objective and balanced report to be prepared.

The Consultant shall provide the Commission with **15 bound copies, one electronic copy, and one unbound, copy-ready copy of the final report.** In addition, MCWD shall be provided with a total of 10 copies, one electronic copy, and one unbound, copy-ready copy of the final report.

## **9. Testimony**

The Consultant may be required to testify at a public hearing before the Commission. The selected consulting firm must be willing to stand behind its findings, conclusions and recommendations by testifying, upon request of the Commission, in a hearing before the Commission at the Consultant's agreed upon compensation rates as identified in the Agreement. In addition, the selected firm can expect to be asked its opinion regarding any testimony submitted by MCWD or any intervenors in the proceedings.

All properly identified and related costs incurred by the Consultants for purposes identified under this Section will be paid by to the extent that: (a) the Consultant is providing testimony directly related to the content of the final report and action plans; (b)



such testimony is within two years of the final report completion; and (c) the Consultant is providing testimony at the request of the Commission. **Any additional costs relating to providing testimony, participating in the case after the issuance of the Final Report and Action Plans, and appearing before the Commission, if necessary, are also subject to the budget cap.**

#### **10. Action Plans**

It is the Commission's intent to secure a commitment from MCWD to implement the Consultant's recommendations as expeditiously as possible, and to develop a dialogue between MCWD and the Consultant regarding the proper action steps necessary to successfully implement each recommendation. The Consultant shall be responsible for the development of action plans to implement each recommendation and will be required to review the appropriateness of the detailed action steps developed by MCWD. An example of the action plan format desired by the Commission is included with this RFP. The process of developing action plans will therefore be expected to include the following events:

- A. The Consultant will be responsible for developing draft action plans which include the background, the priority, the improvement baseline intended, and the estimated one-time and annual costs and benefits for each recommendation. This step will require the Consultant's completion of Section I through Section V of the action plan format and shall be submitted with the final report.
- B. MCWD will then be responsible for reviewing the Consultant's draft action plans, and shall prepare responses to all the action plans. Any recommendations may be taken up in the pending or in a future case for MCWD. MCWD's response shall include a statement addressing each recommendation, which either adopts the recommendation, adopts it with exception, or rejects the recommendation. The response shall detail steps (as well as the start date and completion date for each step) necessary to implement each recommendation adopted or adopted with exception by MCWD. This step will require MCWD to complete Section VI through Section VIII of the action plan format which shall be submitted to the Consultant and the Commission within 30 days of the release of the final report,

unless otherwise mutually agreed upon by the Staff Project Officer and MCWD. For any recommendations rejected, a detailed basis for rejection shall be provided.

- C. The Consultant will then be responsible for reviewing MCWD's comments and action steps and formally commenting (in the finalized action plans) on the appropriateness of the proposed implementation activities, as well as clarifying the intent of the recommendations, if necessary. This step will require the Consultant's completion of Section IX of the action plan format.
- D. The Consultant shall be responsible for printing the finalized action plans and shall provide the Commission with 4 bound copies, one electronic copy, and one unbound copy-ready copy for the finalized action plans. MCWD shall be provided with 4 bound copies, one electronic copy, and one unbound, copy-ready copy of their finalized action plans. These finalized action plans shall be submitted to the Commission and to MCWD within 60 days of the release of the final report. For the purposes of this project, finalized action plans shall require the completion of Section I through Section IX of the action plan format as described in Section 10.A through Section 10.C of this RFP

## **11. Work Papers**

All work papers utilized by the Consultant during the course of the review shall be available to the Commission and MCWD as appropriate during the review and shall be turned over to the Commission concurrent with the submission of the final report. At a minimum, the work papers should include interview summaries, data request responses, and any special analyses prepared by the Consultant.

## **12. Contractual Arrangement**

The Agreement for this engagement will be among the Commission, MCWD, and the Consultant. KRS 278.255(3) provides for the Consultant to work for and under the direction of the Commission with the cost to be borne by MCWD. Payments to the Consultant on an Agreement entered into as a result of this RFP will be based upon

hours actually expended and actual expenses incurred on this engagement at rates quoted in the proposal. **Total payments under the Agreement shall not exceed the firm budget cap quoted in this RFP or quoted in the Agreement, which ever is lower.** Total cost includes itemized cost of supplies and materials, reasonable and customary cost of transportation and per diem expenses, and any reasonable and appropriate subcontract costs. Neither the Commission nor MCWD will be liable for any costs incurred prior to the making of any Agreement.

The review must be completed in a timely manner. The audit shall be completed no later than six (6) months from its commencement date unless the Commission and the Consultant agree to the extension. If the final report has not been issued six (6) months from the commencement date, absent a modification of the Agreement, the Consultant may be required to forfeit ten percent (10%) of the total cost of the project.

The Consultant's invoices, with supporting documentation, shall be presented to the Staff Project Officer by the 10th of each month for services provided and expenses incurred in the previous month. The Staff Project Officer shall review and approve all invoices, and forward them to MCWD. MCWD shall make payment to the Consultant within 20 working days of receipt of the approved invoices.

### **13. Conflicts of Interest**

It is the intent of the Commission to assure that any Consultant, any employees of a Consultant, any approved subcontractor of a Consultant and any employees of such sub-contractor, who are in a position to affect the outcome of the reports or services rendered under an Agreement arising from this RFP, shall, during the course of

the Agreement, strictly comply with the following provisions concerning conflicts of interest:

A. Solicitation or Acceptance of Gifts or Favors or Offers of Gratuities

No consulting firm or persons shall solicit or accept anything of value to the recipient, including a gift, loan, reward, meal, promise of future employment, favor, or service (except MCWD's services that are provided under existing tariffs) from employees or representatives of MCWD (or any affiliate) in connection with an Agreement entered into as a result of this RFP.

By submission of a bid, the bidder certifies that no member or delegate of Congress, nor any elected or appointed official or employee of the Commonwealth of Kentucky has or will benefit financially or materially from this procurement. Any Agreement arising from this procurement may be terminated by the Commission if it is determined that gratuities of any kind were either offered to or received by any of the aforementioned officials or employees from the Consultant, his agent or employee.

B. Conflicting Employment or Contractual Relationship

No consulting firm or persons shall have or accept any employment or enter into a contractual relationship with MCWD (or any affiliate) in connection with an Agreement entered into as a result of this RFP for a period of two years following the completion of the review. It is further required that any such relationship held or acquired during the course of any Agreement arising from this RFP with any other utility, which is subject to the regulation of this Commission, shall be discussed with this Commission as to the timing and subject of such relationships. The consulting firm selected shall certify that it will not perform subsequent work for MCWD (or any affiliate) in Kentucky in connection with any Agreement entered into as a result of this RFP for a period of two years following the completion of the review unless authorized in writing by the Commission.

C. Disclosure or Use of Certain Information

No consulting firm or persons shall disclose to any other person or entity any confidential or proprietary information ("Confidential Information") concerning MCWD (or any affiliate or member) in connection with any Agreement entered into as a result of this RFP, which has been gained in the course of performing services under an Agreement, nor shall such firm or persons use such information for any purpose other than the subject audit, without the prior written approval of the Commission and MCWD which is the subject of this Agreement. The Consultant shall take all reasonable steps to safeguard such Confidential Information to prevent

unauthorized disclosure or use. Access to the Confidential Information shall be limited to employees, representatives and agents of the firm who have a need to use the Confidential Information for the purposes of the review and who have executed a Nondisclosure Certificate, as provided by the Commission (the "Authorized Recipients"). Such Authorized Recipients agree not to disclose Confidential Information to any other persons or entities or to retain or use Confidential Information obtained hereunder for any purpose other than the review. In the event that disclosure of any Confidential Information is compelled by a lawful order of a court or administrative agency with jurisdiction over the subject matter, the Consultant shall promptly give the Commission and MCWD advance notice so that they can seek to protect any interests in keeping the information confidential.

MCWD has the obligation to clearly identify and mark any materials that it deems Confidential Information so as to alert the Consultant that such materials are governed by this provision and are to be maintained as confidential. The obligations of Consultants and Authorized Recipients hereunder shall survive the termination of any Agreement.

In the event of any unauthorized disclosure(s) of any Confidential Information by the Consultant, the Consultant shall immediately take any and all steps reasonably available to mitigate the harm from said disclosure(s) and shall immediately notify the Commission and MCWD of the unauthorized disclosure(s).

The forgoing shall not be construed to limit access to, or use of, any information gained by the Authorized Recipients during the course of the review by the Commission or its duly authorized staff.

#### D. Disclosure of Specified Interests

If any firm or person holds any interest (other than as described in Section 12.B.) or owns or acquires a material financial position in the net worth of MCWD (or any affiliate) that is the subject of a proposed agreement between the Commission and the Consultant, a statement shall be filed disclosing such interests prior to signing of any Agreement with the Commission, or immediately upon the establishment of such an interest, if it occurs during the course of the contractual obligation to this Commission. The holding of such an interest or material financial position shall constitute a basis for terminating the Agreement as set forth below.

#### E. Corporate Conflict of Interest Policy

All consulting firms desiring to do business with this Commission must submit, as part of their proposal or potential contract, a copy of their Corporate Conflict of Interest Policy, particularly in regard to stock ownership or financial relationships with clients. In the case of non-incorporated Consultants or where no corporate policy exists, a statement of intention to comply with the preceding provisions must be submitted.

#### **14. Conditions**

The following are additional conditions to performance of any Agreement arising from this RFP. Bidders must state in the proposal that they will comply with these conditions.

- A. General - The terms of the contract among the Commission, MCWD, and the Consultant shall be stated in the Agreement between the Commission, MCWD, and the Consultant, which shall expressly incorporate by reference: (1) this RFP and any amendments thereto; (2) the Consultant's proposal submitted in response to the RFP; and (3) any written amendments to the Consultant's proposal which are expressly approved by the Commission. In the event of a conflict or ambiguity in language among these documents, the provisions and requirements set forth in the Agreement, then the RFP, shall govern.

No modification or change of any provision in the Agreement shall be made unless agreed to in writing by the Consultant, MCWD, and the Commission.

The Agreement shall be construed according to the laws of the Commonwealth of Kentucky. Any legal proceedings against the Commission or MCWD regarding this RFP or any resultant Agreement shall be brought in Commonwealth of Kentucky administrative or judicial forums. Venue will be in Franklin County, Commonwealth of Kentucky.

- B. Deviations from the RFP - Any deviations from the strict requirements of the RFP must be specifically defined in the Consultant's proposal which, if acceptable to the Commission, shall be expressly stated in the Agreement, but such deviations must not be in conflict with the basic nature of this offer.
- C. Entire Agreement - The Agreement supersedes all prior negotiations, representations or agreements, either written or oral, among the parties relating to its subject matter and shall be independent of and have no effect upon any other contracts.

- D. Advertising Award - The Bidder agrees not to refer to placement on the pre-qualified list or award of an Agreement pursuant to this RFP in commercial advertising in such a manner as to state or imply that the firm or its services are endorsed or preferred by the Commission, MCWD, or the Commonwealth of Kentucky.
- E. Notices - Upon the effective date of an Agreement pursuant to this RFP, all notices shall be deemed duly given when: (1) delivered by hand; or (2) sent by registered mail, return receipt requested. All notices to the Commission are to be delivered to the Staff Project Officer. All notices to MCWD are to be delivered to MCWD's coordinator.
- F. Titles - Titles of paragraphs are used to facilitate ease of reference only and shall not be construed to express or infer a contractual construction of language.
- G. Agreement Effective Date – Any Agreement established from this RFP shall begin on the effective date stated in the Letter of Agreement.
- H. Termination of Contract - Any Agreement resulting from this RFP shall be subject to the following termination provisions. An Agreement may be terminated by the Commission for:
- a. Default - Any Consultant who is determined by the Commission to be in breach of any of the terms or conditions of an Agreement with the Commission may, in the discretion of the Commission, be declared in writing to be in default and such Agreement may be terminated as a result of such default. A default in performance by a Consultant for which an Agreement may be terminated shall include, but shall not necessarily be limited to, failure to perform the contract according to its terms, conditions and specifications; or failure to make delivery within the time specified or according to a delivery schedule fixed by the Agreement.
  - b. Consultant Bankruptcy - In the event of the filing of a petition in bankruptcy by or against the Consultant, the Commission shall have the right to terminate an Agreement upon the same terms and conditions as a termination for default.
  - c. Unavailability of Funds - In the event that the Commission determines that funds for an Agreement become unavailable, the Commission shall have the right to terminate an Agreement without penalty and upon the same terms and conditions as a termination for convenience. Availability of funds will be determined at the sole discretion of the Commission.

- d. Convenience - The Commission shall be authorized to terminate an Agreement for its own convenience when the Commission has determined that such termination will be in the public interest. When it has been determined that an Agreement should be terminated for the convenience of the Commission, the Commission shall be authorized to negotiate a settlement with the Consultant according to terms deemed just and equitable by the Commission.

The Consultant shall be paid all monies due for services rendered and expenses incurred up to the termination date, as well as all monies due for commitments which cannot be terminated at such termination date or be otherwise mitigated, except as provided in Section 5(F).

Whenever an Agreement is terminated for the convenience of the Commission, the Consultant shall have the burden of establishing the amount of the compensation due, by submission of complete and accurate cost data as presented in his proposal and evidence of expenses paid or incurred and services performed in connection with an Agreement from the effective date through the date of termination. Payment of the sum agreed to in settlement of an Agreement terminated for convenience of the Commission shall be made from the same source of funds or account as the original contract.

- I. Procedure on Termination - Upon delivery by certified mail to the Consultant of a Notice of Termination specifying the nature of the termination, the extent to which performance of work under an Agreement is terminated and the date upon which such termination becomes effective, the Consultant shall:
  - a. Stop work under the Agreement on the date and to the extent specified in the Notice of Termination.
  - b. Place no further orders for services except as may be necessary for completion of such portion of the work under the Agreement as is not terminated.
  - c. Terminate all orders to the extent that they relate to the performance of work terminated by the Notice of Termination.
  - d. Upon request, assign to the Commonwealth in the manner and to the extent directed by the Commission all of the rights, titles, and interests of the Consultant under the orders so terminated. The Commonwealth shall have the right, at its discretion, to settle or cause payment of any or all claims arising out of the termination of such orders with the approval or ratification of the Commission and settle all outstanding



liabilities arising out of such termination of orders, the cost of which would be reimbursable in whole or in part, in accordance with the provisions of the Agreement.

- e. Complete performance of that part of the work not terminated by the Notice of Termination.
- f. Take such action as may be necessary, or as the Commission may direct, for the protection and preservation of the property related to the Agreement which is in the possession of the Consultant and in which the Commission has or may acquire an interest.

The Consultant shall proceed immediately with the performance of the above obligations notwithstanding any delay in determining or adjusting the amount of any item of reimbursable price under this clause.

- J. Termination Claims - After receipt of a Notice of Termination, the Consultant shall submit to the Commission any termination claim in the form prescribed by the Commission no later than two (2) months from the effective date of termination.

If the Consultant fails to submit the termination claim within the time allowed, the Commission may, subject to any review required by the Commonwealth procedures in effect as of the effective date of the Agreement, determine, on the basis of information available to it, the amount, if any, due to the Consultant by reason of the termination and shall direct that payment of that amount be made.

In the event the Consultant and the Commission fail to agree in whole or in part on the costs to be paid to the Consultant in connection with the total or partial termination of work, the Commission shall determine on the basis of information available the amount, if any, due to the Consultant and shall direct that payment of that amount be made.

The Consultant shall have the right of appeal, as stated under Disputes, from any such determination made by the Commission.

- K. Consultant Personnel - Personnel commitments identified in the Consultant's proposal shall be considered mandatory to the work to be performed under this RFP. Personnel assignments in the proposal shall not be changed without prior written consent of the Staff Project Officer. Replacement of such personnel, if approved, shall be with personnel of equal or superior ability and qualifications. The Commission may, at any time, require the Consultant to reassign or otherwise remove any employee found not qualified or otherwise unacceptable to the Commission.

Any contract or agreement entered into by the Consultant and a subcontractor shall expressly incorporate by reference the terms of the Agreement between the Commission and the Consultant.

- L. Changes in Scope - The Commission may, at any time and in writing, change the general scope of an Agreement upon prior notice to and input from MCWD. If any approved change affects the cost of, or the time required for, the performance of any part of the work, an adjustment shall be made in the Agreement which shall be modified in writing accordingly.
- M. Force Majeure - Consultant shall not be liable for any damages for any inability to perform, or for any delays or interruptions beyond Consultant's reasonable control in performing any of Consultant's obligations under any Agreement, including but not limited to, those arising from acts of God, fires, floods, riots, insurrection, war, terrorism, sabotage, quarantines, strikes by Consultant's employees or embargoes. Consultant shall advise the Commission and MCWD immediately of any failure, delay, or interruption upon occurrence thereof. Any such inability, delay or interruption, even though existing on the effective date of the Agreement or on the date of the start of the work, shall require Consultant to submit a recovery plan detailing the manner in which the delay shall be remedied, the revised schedule and any added expenses. Consultant shall use reasonable diligence to proceed with the work notwithstanding the occurrence thereof. Force Majeure shall apply only to the part of the work directly affected by the particular failure, delay or interruption, and shall not apply to the work as a whole or any other unaffected part thereof.
- N. Disputes - Prior to the initiation of any action in a court by any party to an Agreement awarded as a result of this RFP concerning any contract, claim, or controversy, the Commission may, subject to any limitations or conditions imposed by regulations, settle, compromise, direct payment to be made or otherwise adjust the claim by or against, or controversy with, the Consultant relating to the Agreement, including, but not limited to, a claim or controversy based on breach of contract, mistake, misrepresentation, or other cause for contract modification or rescission. The Consultant also shall agree to participate in good faith in at least one mediation of any such dispute before any case is filed in a jurisdictional or administrative venue.
- O. Disclosure of Proposal Contents - The contents of any proposal in response to this RFP shall be confidential and shall not be disclosed to anyone other than the Commission and its staff, and MCWD and their agents until an Agreement is entered into between the Commission, the Consultant and MCWD. Once an Agreement has been made, the proposal of the

Consultant selected to perform the review and the proposals of all unsuccessful Consultants may be made available for public inspection.

- P. Confidentiality of Contract Terms - The Consultant, MCWD, and the Commission agree that all information communicated among them before the effective date of the Agreement shall be received in strict confidence and shall not be disclosed by the receiving party, its agents, or employees without prior written consent of the other parties. Such material will be kept confidential to the extent allowed by law until the effective date of the Agreement, at which time the Agreement may be made available for public disclosure. Nothing in this provision shall modify the provisions relating to Confidential Information set forth above.
- Q. Consultant Responsibility - Any Agreement that may result from the RFP shall specify that the Consultant is solely responsible for fulfillment of the Agreement with the Commission. Any subcontractors shall be identified in the proposal.
- R. Consultant Affiliation - If any affiliate or subcontractor of the Consultant takes any action which, if done by the Consultant, would constitute a breach of the Agreement, the same shall be deemed a breach by the Consultant. For purposes of this section, "affiliate" shall mean a parent, subsidiary or other person controlling, controlled by or under common control with the Consultant.
- S. Assignment - The Consultant shall not assign its inclusion on the pre-qualified list or any Agreement entered into as a result of this RFP in whole or in part or any payment arising therefrom without the prior written consent of the Commission. Any assignment without the written consent of the Commission shall be void.
- T. Hold Harmless - The Consultant agrees to indemnify, defend, and hold harmless the Commonwealth, the Commission and MCWD, their officers, agents, and employees from:
  - a. Any claims or causes of action by or any losses to any person or firm alleging injury or damage resulting from the intentional or negligent acts of the Consultant, its officers or employees in the performance of any Agreement arising from this RFP.
  - b. Any failure of the Consultant, its officers or employees to observe the laws or regulations of the Commonwealth of Kentucky or the United States of America, including but not limited to, labor and minimum wage laws.

- U. Permits, Licenses, Taxes and Registration - The Consultant shall procure all necessary permits and licenses and abide by all applicable laws, regulations and ordinances of all federal, state and local governments in which work under any Agreement is performed.

The Consultant shall pay any sales, use or personal property taxes arising out of any Agreement and the transaction contemplated hereby. Any other taxes levied upon the transaction, equipment or services delivered pursuant hereto shall be borne by the Consultant.

- V. Employment Practices - The Consultant shall not discriminate against any employee or applicant for employment because of race, color, religion, sex, national origin, age, marital status, political affiliations, or handicap; except as otherwise provided by law. The Consultant must take affirmative action to ensure that employees, as well as applicants for employment, are treated without discrimination because of their race, color, religion, sex, national origin, age (except as provided by law), marital status, political affiliations, or handicap. Such action shall include, but is not limited to, the following: employment, promotion, demotion, or transfer, recruitment or recruitment advertising, layoff or termination, rates of pay or other forms of compensation, and selection for training, including apprenticeship. Consultant agrees to post in conspicuous places, available to employees and applicants for employment, notices setting forth the provisions of this clause.

The Consultant shall, in all solicitations or advertisements for employees placed by or on behalf of the Consultant, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, sex, national origin, age (except as provided by law), marital status, political affiliation, or handicap, except where it relates to a bona fide occupational qualification.

The Consultant shall comply with the nondiscrimination clause contained in Federal Executive Order 11246, as amended by Federal Executive Order 11375, relative to Equal Employment Opportunity for all persons without regard to race, color, religion, sex, or national origin, and the implementing rules and regulations prescribed by the Secretary of Labor and with 41 CFR Chapter 60. The Consultant shall comply with related laws and regulations of the Commonwealth of Kentucky.

The Consultant shall comply with regulations issued by the Secretary of Labor of the United States in 20 CFR Part 741, pursuant to the provisions of Executive Order 11758 and the Federal Rehabilitation Act of 1973.

The Consultant shall comply with the Civil Rights Act of 1964, and any amendments thereto, and the rules and regulations thereunder, and Section

504 of Title V of the Vocational Rehabilitation Act of 1973 as amended, and the Kentucky Civil Rights Act.

- W. Rights and Remedies - The rights and remedies of the Commission provided herein shall not be exclusive and are in addition to any other rights and remedies provided by law or under any Agreement arising from this RFP.
- X. Contract Severability - If any provision of an Agreement (including items incorporated by reference) is declared or found to be illegal, unenforceable, or void, then the Commission, the Consultant, and MCWD shall be relieved of all obligations arising under such provision. If the remainder of the Agreement is capable of performance, it shall not be affected by such declaration or finding and shall be fully performed.
- Y. Waiver - No covenant, condition, duty, obligation, or undertaking contained in or made a part of any Agreement arising from this RFP will be waived except by written agreement of the parties, and forbearance or indulgence in any other form or manner by any party in any regard whatsoever shall not constitute a waiver of the covenant, condition, duty, obligation, or undertaking to be kept, performed or discharged by the party to which the same may apply; and until complete performance or satisfaction of all such covenants, conditions, duties, obligations, and undertakings, any other party shall have the right to invoke any remedy available under law or equity, notwithstanding any such forbearance or indulgence.

Any consent by any party to or waiver of a failure by the other, whether express or implied, shall not constitute consent of, waiver of, or excuse for any other different or subsequent failure.
- Z. Insurance - The Consultant will provide public liability, property damage and worker's compensation insurance, insuring as they may appear, the interests of all parties to any Agreement arising from this RFP against any and all claims which may arise out of the Consultant's actions or the actions of its subcontractors or agents under the terms of an Agreement. In the event any carrier of such insurance exercises cancellation, notice will be made immediately to the Commission of such cancellation.
- AA. Accounting Requirements - The Consultant shall establish and maintain an accounting system in accordance with Generally Accepted Accounting Principles (GAAP). The accounting system shall maintain records pertaining to the tasks defined herein and any other costs and expenditures made under an Agreement.
- BB. Audit Requirements - The Consultant shall maintain books, documents, and other evidence pertaining to the administrative costs and expenses of any

Agreement arising from this RFP to the extent necessary and in such detail as shall properly reflect all costs, direct and apportioned, and other costs and expenses of whatever nature for which reimbursement is claimed under the provisions of such an Agreement. Accounting records related to the provision of service under any Agreement arising from this RFP shall be open to the Commission at any time from the commencement date through 12 months subsequent to the review's conclusion.

- CC. Contract Records Retention - The Consultant shall preserve and make available to the Commission and MCWD all books, documents, papers, and records related to any Agreement arising from this RFP for a period of one year from the date of expiration or termination of the Agreement.

Records involving matters in litigation shall be kept for one year following the final termination of litigation and associated appeals, if any.

Authorized representatives of the Commission may examine and copy the items listed above during the Agreement period and during the periods described above. MCWD may also examine and copy the items listed above during the Agreement period and during the periods described above after the Consultant's review has been completed.

- DD. Legal Fees - In the event that the Commission or MCWD prevail in a legal action to enforce any provision of an Agreement arising from this RFP, the Consultant agrees to pay all expenses of such action, including reasonable attorney's fees and costs at all stages of litigation as set by the court or hearing officer.

- EE. Independent Price Determination - By submission of a proposal the Consultant certifies the following:

- a. Prices in the proposal have been arrived at independently without consultation, communication, or agreement for the purpose of restricting competition, as to any matter relating to such prices with any other Consultant or with any competitor.
- b. Unless otherwise required by law, the prices that have been quoted in the proposal have not been knowingly and will not knowingly be disclosed by the Consultant prior to award directly or indirectly to any other Consultant or to any competitor.
- c. No attempt has been or will be made by the Consultant to induce any other person or firm to submit or not to submit a proposal for the purpose of restricting competition.

# MANAGEMENT AUDIT ACTION PLAN TEMPLATE

## Recommendation No.

### **I. Report Reference (Consultant)**

A. Chapter

B. Section

C. Recommendation No.

D. Priority:

### **II. Recommendation Statement (Consultant)**

### **III. Background (Consultant)**

This Section should discuss key findings and conclusions, noting deficiencies which are addressed by the Recommendation.

### **IV. Expected Improvement/Implementation Timeline (Consultant)**

*This Section should include a discussion of the specific improvement that will exist after the Recommendation is implemented.*

### **V. Cost/Benefit Analysis and Support**

A. Cost Analysis

This Section should address the cost associated with implementing the Recommendation, along with the specific support for the estimate.

B. Benefit Analysis

This Section should address the benefits associated with implementing the Recommendation, along with the specific support for the estimate.

C. Cost/Benefit Summary

Category	One Time	Annual Recurring
<b>Cost:</b>		
<b>Benefit:</b>		



**D. Other Costs or Benefit**

**Other costs or benefits that cannot be quantified should be described in this Section**

**VI. Utility Responsibility (Company)**

**A. Name:**

**B. Title:**

**C. Recommendation Action:**  
**Approved;    Approved With Exception;    Rejected**

**D. Explanation of Exception or Rejection:**

**VII. Utility Response (Company)**

**A. Discussion of Recommendation**

**This Section should address the Company's interpretation of the recommendation.**

**B. Improvement Proposed by Cooperative**

**This Section should include the Company's perspective on what improvement will be realized.**

**C. Discussion of Cost/Benefit Analysis**

**This Section should address the Company's Estimate of the costs and benefits associated with the Recommendation.**

**VIII. Implementation Steps (Company)**

Recommendation No.	Implementation Steps	Start Date	Completion Date
	<p><b>The Company should list the specific action to be taken to realize the intended improvement, as well as a start and completion date for each step</b></p>		

#### **IX. Comments/Clarification of Intent (Consultant)**

A. Consultant Name:

B. Discussion:

The Consultant should respond to the Company's discussion, Improvement, Steps, and cost/benefits. Included should be the Consultant's Perspective, Particularly on areas of disagreement.